

2001 was the Group's first year in operation following the completion of its major debt restructuring scheme (the "Restructuring"), an exercise through which the Group successfully discharged all bank loans and convertible bonds incurred prior to the commencement of the Restructuring. During the past year, based on a business foundation reinforced by the effective Restructuring, the Group redefined its operating objectives, corporate mission, management strategy and explored into new income resources. To its best endeavors, the Group worked on maximizing profit margins by concentrating its efforts on profitable assets, consolidating its capital resources in order to amplify its core businesses' competitiveness. The Group also put strenuous efforts into re-engineering its management structure, consolidating its business, financial and human resources. The Group fortified its overall structure and bolstered its profit-making potential, through the cessation of providing financial support to the loss-making supermarket operations of Guangzhou and Hong Kong, eliminating loss-making or non profit-making businesses, a strengthening of fresh and live foodstuffs distribution businesses, development of foodstuffs agency and distribution, increasing management of and supervision over PRC investments, streamlining of personnel, containment of operating costs, increasing cost efficiency, and successfully re-acquiring the quality assets of Zhongshan Zhongyue Tinplate ("Zhongyue Tinplate") and Zhongshan Shan Hai Industrial ("Zhongshan Shan Hai") through internal resources. As a result of the successful Restructuring and the various measures undertaken, the Group's business operations returned to stability and further enhanced its financial position. For the year 2001, the Group saw a substantial decrease in turnover due largely to the discontinuation of certain loss-making business operations and the disposal of Zhongyue Tinplate and Zhongshan Shan Hai in December 2000. The Group also had a very significant decline in operating loss, with a profit of HK\$51.5 million for the year and an improvement in the year end net cash position of HK\$114.3 million over that for 2000, indicating a steady move toward improving results and brightening prospects for the Group.

The Group recorded a total turnover of approximately HK\$1,819.4 million for the year ended 31 December 2001, representing a 34.2% decrease as compared to the 2000 turnover of approximately HK\$2,764.2 million. The decline in turnover was due largely to the cessation of the loss-making supermarket operations during the first half of 2001, as well as the disposal of Zhongyue Tinplate and Zhongshan Shan Hai between December 2000 and November 2001. While discontinued operations caused a fall in total turnover, at the same time they also brought a decline in operating loss. For 2001, the Group recorded an operating loss of HK\$6.1 million, representing a decrease of 92.2% as compared to the operating loss of HK\$77.6 million for the year 2000. Also, 2001 recorded a profit attributable to shareholders of HK\$51.5 million. Stripping out the net gains on Restructuring for 2000 and 2001 (being HK\$1,433.3 million for 2000 and HK\$48.4 million for 2001), the profit attributable to shareholders for the year ended 31 December 2001 would have been reduced to of HK\$3.1 million, a significant

improvement against the actual loss attributable to shareholders of HK\$567.2 million recorded for the previous financial year.

In 2001, in order to prevent further dissipation of capital, the Group resolved to cease provision of financial support to a joint-venture engaged in Guangzhou supermarket operations and its subsidiary, Guangnan (KK) Supermarket Limited ("Guangnan (KK)"). The supermarket operations in Guangzhou had already been petitioned by its largest creditor for a winding up and Guangnan (KK) had also commenced liquidation. Because both companies had been unable to recover from prolonged heavy indebtedness and from an inability to negotiate favorable credit terms from suppliers, the businesses were closed down. At the Board's careful consideration, the Group has in March and June 2001 respectively ceased the provision of financial support to the supermarket operations in Guangzhou and Hong Kong. Due to the cessation of business, turnover in the supermarket operations for 2001 decreased from HK\$708.8 million for 2000 by 60.9% to approximately HK\$276.9 million. However, operating losses for 2001 decreased from HK\$125.5 million in 2000 by 86.6% to HK\$16.9 million. Commencing from the date of liquidation, the assets and liabilities of both Guangnan (KK) Supermarket and the Guangzhou supermarket operations had been deconsolidated from the Group's financial statements.

During 2001, the Group put vigorous efforts into strengthening and developing its businesses in live and fresh foodstuffs distribution through repositioning its business focus and readjusting operational strategies, evolving from a mere strategic distributor to include commercial agency as well as direct selling. As a result, for the year ended 31 December 2001, the business recorded an operating profit of HK\$17.6 million, representing an increase of 61.2% against the 2000 operating profit of HK\$10.9 million, even in face of substantial increases in market competition and the H5N1 influenza. The growth in profit was also attributed to an operating loss of HK\$4.5 million incurred in 2000 by a subsidiary engaged in the wholesaling of poultry, and provisions for doubtful debts amounting to HK\$3.2 million for 2000. Excluding effects from above, the 2001 operating profit of the business still recorded an increase of 1.8% over that of 2000. During 2001, the Group's foodstuffs trading business attained achievement through exploring into new agency, distribution and delivery channels for frozen chicken and other frozen meat varieties as well as food condiments. As a result, a profit turnaround was achieved. Other businesses, such as livestock farming, feed production, corn processing and canned foods production also saw steady development.

In December 2001, the Group successfully re-acquired two joint ventures disposed of during 2000: Zhongyue Tinplate, engaged in the production and sales of tinplate and other related products used as packaging materials for canned foods and beverages, and Zhongshan Shan Hai, a major developer

and lessor of industrial properties in Zhongshan. For December 2001, the first month subsequent to the completion of re-acquisition with results consolidated into the Group financial statements, Zhongyue Tinplate and Zhongshan Shan Hai recorded turnovers of HK\$44.8 million and HK\$2.0 million respectively, and operating profits of HK\$4.9 million and HK\$1.5 million respectively. The two companies accounted for a total turnover of HK\$46.8 million and a total operating profit of HK\$6.4 million of Group results for the month of December 2001.

PROSPECTS

2001 was the Group's first year of operation following the completion of the Restructuring. Despite many difficulties and a challenging business environment, the Group made good progress in terms of re-establishing corporate culture, recovering corporate strength and financial stability. In particular, the Group achieved noticeable results in the consolidation of business resources, management structure re-engineering, financial management control and cost containment. From 2002 going forward, the Group will continue to expand the fresh and live foodstuffs distribution business and expects frozen poultry operations will become a new focus for business growth. The Group anticipates that businesses of Zhongshan Tinplate and Zhongshan Shan Hai will make important contributions to the Group's results and all other business segments will maintain healthy development. The Group will continue to be prudent with cost control while keeping in mind the need for profitability. The Board is confident that, with a business foundation now strengthened by a thorough restructuring exercise, consolidation and reinforcement of its various businesses over 2001 and stabilised business development, the group's financial and net asset positions will progress steadily. Furthermore, with a favorable outlook on the PRC market, a sound management structure and extensive market connections, the Group will be able to overcome the difficulties lying ahead and attempts to further increasing overall profit level. Also, the Group will continue keenly and cautiously to seek out new and quality investment opportunities with good potential in solidifying the Group's overall business foundation, with an aim of broadening revenue sources and fortifying its asset base for further business growth setting the stage for further growth and achievement in 2002 and beyond.

By Order of the Board

Liang Jiang

Chairman

Hong Kong, 17 April 2002